

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION

MEETING OF DIRECTORS

PUBLIC SESSION

OCTOBER 24, 2005

The Board of Directors of the Rhode Island Economic Development Corporation (the "Corporation") met on Monday, October 24, 2005, in Public Session, at 4:00 p.m., at the offices of the Rhode Island Economic Development Corporation located at One West Exchange Street, Providence, Rhode Island, pursuant to notice of the meeting to all Directors, and public notice of the meeting, a copy of which is attached hereto, as required by the By-Laws of the Corporation and applicable Rhode Island law.

The following Directors were present and participated throughout the meeting as indicated: Mr. Keith Stokes, Mr. Joshua Miller, Ms. Barbara Jackson, Ms. Alma Green and Ms. Cheryl Merchant.

Directors absent: Governor Donald L. Carcieri, Mr. Frank Montanaro and Mr. George Shuster.

Also present were: Executive Director Michael McMahon, members of the Corporation's staff and Attorney Robert I. Stolzman.

Mr. Keith Stokes presided over the meeting and Attorney Robert I. Stolzman acted as Secretary.

1. CALL TO ORDER

Mr. Stokes called the meeting to order at 4:00 p.m.

2. APPROVAL OF THE PUBLIC SESSION MINUTES OF THE MEETING HELD ON SEPTEMBER 26, 2005

Upon motion duly made by Ms. Jackson and seconded by Ms. Green, the following vote was adopted:

VOTED: To approve the public session minutes of the meeting held on September 26, 2005, as presented to the Board this date.

Voting in favor of the foregoing were: Mr. Stokes, Mr. Miller, Ms. Jackson, Ms. Green and Ms. Merchant.

Voting against the foregoing were: None.

3. FOR EXECUTIVE DIRECTOR'S REPORT

Director McMahon stated that the agenda contains the items to be addressed at this meeting. Mr. McMahon did report, however, as an update to Governor Carcieri's charge to the EDC to study issues related to eminent domain, that discussions are underway to develop a State policy regarding this issue, and a report may be presented at the next Board meeting.

4. FOR APPROVAL OF RHODE ISLAND AIRPORT CORPORATION BORROWING

Attorney Stolzman explained that its charter prohibits the Rhode Island Airport Corporation ("RIAC") from taking debt without the approval of the RIEDC Board. He noted that Attorney Susan Leach DeBlasio, of Tillinghast Leach LLP, was present to answer any questions of the Board. Mr. Stolzman stated that RIAC plans to purchase approximately 40 acres of real estate located in Smithfield, Rhode Island, adjacent to the North Central Airport, for a purchase price of \$1,200,000. RIAC intends to pay \$300,000 of the purchase price in cash, and to issue a promissory note, secured by a mortgage, for the balance of \$900,000. The issuance of the promissory note is what requires approval of the RIEDC Board. Mr. Stolzman referred the Board members to the information in their packages regarding further details of this matter (See **Exhibit A**).

Attorney Leach DeBlasio introduced David Cloutier, Assistant Vice President for Commercial Programs for RIAC, and Attorney Carl Lisa, who represents the sellers in this transaction. Mr. Cloutier presented an aerial photograph to the Board to explain the location of the property RIAC intends to acquire. He explained that this property is located in a "Runway Protection Zone" ("RPZ"), which means that it is not a safe area for people to live. In response to a request by the Federal Aviation Authority, RIAC's purchase of this property is to prevent a developer from acquiring this property, which is zoned residential, and building homes on it.

Mr. Cloutier explained further that the property represents a portion of real estate known as "Harris Farm", and that a life estate will be granted to the current owners so that they can continue to use the property as farmland.

In response to a question of Mr. McMahon, Mr. Cloutier stated that the length of the runway at North Central Airport is 5,000 feet.

Upon inquiry of Ms. Jackson, Mr. Cloutier explained that the current owner and his nephew will each have a life estate in the property, and that they will be responsible for taxes, insurance and all other expenses related to the upkeep of the property.

There being no further discussion on this matter, upon motion duly made by Ms. Green and seconded by Ms. Merchant, the following vote was adopted:

VOTED: See text of Vote at **Exhibit A**.

Voting in favor of the foregoing were: Mr. Stokes, Mr. Miller, Ms. Jackson, Ms. Green and Ms. Merchant.

Voting against the foregoing were: None.

5. FOR APPROVAL OF CONDEMNATION AUTHORITY REGARDING STATE POLICE HEADQUARTERS

Attorney Stolzman noted that this matter was brought to the attention of the Board in executive session of the September meeting. He explained that the Rhode Island State Police have been looking for a new location for its headquarters and that the one location that appears to be best suited for its needs is on land owned by the EDC located off New London Turnpike in Cranston, near the Adult Correctional Institution ("ACI") facilities. The parcel, consisting of 10 acres, is subject to a lease to Golfing Partners, LLC ("GP"), which operates Mulligan's Island, a family recreational center which includes a 9 hole golf course, batting cages and a pitch & putt operation. The site is considered an excellent location for the State Police Headquarters ("SPHQ") because of its proximity to highway access and the ACI.

Mr. Stolzman explained further that the Department of Administration ("DOA") has been negotiating with GP to take back the balance of its leasehold interest in the 10 acres that it needs for the SPHQ, however, an agreement has not yet been reached between the parties. The DOA has requested the authority of the EDC Board to take back the land that it owns, as well as a fee interest or easement interest over the parcel on which the pitch and putt facility is located. Mr. Stolzman introduced Mr. Gerry Williams, spokesman for the DOA, and Attorney David Gilden, of Partridge Snow & Hahn, representing the DOA, who were present to answer any questions of the Board. Mr. Stolzman noted that the EDC would only approve a condemnation if negotiations with GP prove to be unsuccessful.

Upon inquiries of Mr. Stokes, Mr. Stolzman provided some background on GP, which was elaborated on by Mr. Earl Queenan. Mr. Queenan explained that the original lease to GP was in 1997, and the lease was extended in 2002 through November 2012.

In response to a question of Ms. Merchant, Mr. Stolzman stated that access to the GP facility will not be lost, but may actually be enhanced by the SPHQ site. In addition, it will prove a benefit to the community, for safety purposes, to have the SPHQ located near the ACI.

Mr. Stolzman noted that time is running out on the negotiation period because the funds issued for the construction of this facility must be used by a certain time. Mr. Miller clarified that only one component of GP's business will cease to operate, that being the pitch and putt facility, but that everything else will be able to continue, albeit with shared access with the SPHQ.

Mr. Miller also noted that the State's Emergency Management Office ("EMO") is located across the street from this site, and asked if there have been any discussions

about combining it with the SPHQ, to which Mr. Williams stated that, while this has been considered, the EMO will more likely move to a location within the Pastore complex.

Upon further inquiry of Mr. Miller as to what is holding up the negotiations, Mr. Williams stated that the DOA is trying to cause as little disruption as possible to GP, and that the final issues have come down to the financial settlement.

There being no further discussion on this matter, upon motion duly made by Ms. Green and seconded by Ms. Merchant, the following vote was adopted:

VOTED: See text of Vote at **Exhibit B**.

Voting in favor of the foregoing were: Mr. Stokes, Mr. Miller, Ms. Jackson, Ms. Green and Ms. Merchant.

Voting against the foregoing were: None.

6. FOR REPORT ON INNOVATION AT SCALE

Director McMahon introduced this matter by stating that, because of things like taxes and quality of education, Rhode Island really does not have a lot to offer for economic development. He stated that Innovation at Scale, a project headed by Saul Kaplan, is changing that in that it is changing the way people think about economic development. Mr. McMahon noted that the Business Innovation Factory summit, which was held October 19 – 20, 2005, was very successful.

Mr. Kaplan presented a PowerPoint report (See **Exhibit C**) that he had recently given to the Economic Policy Council regarding this project. He noted that EDC has become more customer focused and is working on improving the business climate. Mr. Kaplan emphasized that innovation is the key to economic prosperity.

Mr. Kaplan reported that 15,000 net new jobs have been created since Governor Carcieri took office and that, with the Governor's goal being 20,000 net new jobs, the State appears to be on track to succeed in that goal. He also stated that Rhode Island's job growth has superseded those of other states in the region for the same period. Mr. Kaplan added that Rhode Island stands to gain over 550 net new jobs for its military commands as a result of BRAC work.

The other good news, according to Mr. Kaplan, is the amount of capital that is being invested in Rhode Island for construction, and that the construction is spread across various parts of the State.

Mr. Kaplan explained that the EDC is creating a customer-centric model, utilizing all of the state's resources to help companies grow in Rhode Island. Over the last two years, he stated, EDC has been changing from an internal focus to an external focus, with a primary goal of looking out into the marketplace to connect to other programs that are available for assisting businesses, besides its own programs. He noted that EDC

has a vigorous tracking system to keep track of customer contacts, and stated that an average of 520 contacts have been made on a monthly basis since January 2005 and that 667 businesses were assisted with retention, expansion or relocation within Rhode Island in 2004. In addition, Every Company Counts has worked with over 700 companies since its inception a year ago, and PTAC (Rhode Island Procurement Technical Assistance Center) has served 356 active clients resulting in \$64 million in federal contracts and over 1500 new jobs.

Mr. Kaplan explained that while Rhode Island is headed in the right direction to promote and expand economic development, there is still work to be done to improve the business climate, including a more appealing tax structure, an improvement in the quality of education and the availability of Class A and pad ready sites, as well as stronger capital access programs for the new economy.

Innovation is key to economic prosperity, according to Mr. Kaplan. He noted that the idea of Innovation at Scale sets Rhode Island apart as a good place to test new ideas in the marketplace, and that the Business Innovation Factory (BIF) and the Science and Technology Advisory Council (STAC) are key factors in attaining innovation. Companies can test new ideas in the smaller setting of Rhode Island and then take those ideas that are successful out to the global community.

Mr. Kaplan stated that the BIF Collaborative Innovation Summit held last week included one and a half days of storytelling from local and national innovators who have created successful models for innovation. The 25 – 30 Storytellers included John Seely Brown, Larry Huston and Kathleen Kingscott. The Summit attracted 180 attendees from across local and national public and private sector organizations, and reinforced Rhode Island's role as a participant in national innovation dialogue.

Mr. Kaplan explained that STAC was created by the Governor's executive order and consists of 15 members, whose task it is to advise the Governor and the General Assembly on specific actions and investments to increase Rhode Island's innovation capacity. He noted that this council is co-chaired by Jeff Seemann and Andy van Dam.

Ms. Green commented that an emphasis should be made on creating pad ready sites, noting that her company has been frustrated by the fact that, while it has the financial ability to relocate, it has not been able to find a good location. She suggested that perhaps city councils should be educated on the benefits of having pad ready sites in their communities.

Mr. Stokes added that local communities need to re-think zoning issues and learn how to better use their land, commenting that many communities do not know what they want to do with their available land. He noted that the EDC's Community Development Program, headed by Lori Capaldi, is helping to improve this situation.

Ms. Jackson asked for a followup on Solaris, which made a presentation to the Board about 4 months ago. Mr. Kaplan stated that Solaris has a fabulous entrepreneur at its helm and that he met with them recently. He stated that this particular business is

taking an aggressive approach in its growth. Mr. McMahon cited this company as a good example of a serial entrepreneur and that it is important for the EDC to back winners.

Upon inquiry of Mr. Miller about how to affect policies beyond its immediate control, Mr. Kaplan stated that Mr. McMahon keeps the staff focused and involved with all issues, such as education, taxes and health care, not just EDC issues. Mr. Kaplan added that Rhode Island does not wish to look like the rest of the country, but wants to lead the way.

7. FOR CONTINUATION OF EXECUTIVE DIRECTOR'S REPORT

Director McMahon introduced Mr. Geoff Grout, Director of Quonset Development Corporation, to provide the Board with an update on what has been happening at QDC since its separation from the EDC.

Mr. Grout presented a report to the Board with a PowerPoint presentation (See **Exhibit D**), explaining that the QDC is working on developing pad-ready sites on its 950 acres located in North Kingstown. He stated that QDC is focusing on approximately 500 acres for development at the present time, another 160 acres is the focus of a large track marketing plan for "in-fill" parcels, and about 280 acres are slated for future development.

Mr. Grout announced that QDC is about to execute a development agreement with New Boston for the Gateway to the park, with a groundbreaking planned for Summer of 2006. He also reported that a seminar is being planned for small businesses to make them aware of "in-fill" parcels available at the park.

Upon inquiry of Mr. Stokes, Mr. McMahon stated that QDC is trying to create a certain 21st century image and that prices of property at Quonset have gone up substantially. He continued that Quonset property is not a cheap deal, but rather a great place, and that the ambience of the whole park is being marketed, rather than individual sites.

Mr. Grout continued his presentation by showing how QDC is moving forward with committed leadership, clarity of governance, effective organization, improved process, product repositioning, creating a shared vision and, most importantly, the issuance of a \$48 million bond for capital funding.

Included in the vision for QDC, Mr. Grout explained, is to more fully utilize what is already there, to create "curb appeal", to develop strong concepts as foundation for smart growth and good design, to create buffers between residential and industrial uses, to explore complementary land uses as avenues to good jobs, to focus on market based economics and public/private partnerships and to rely on no single land use, solution or user.

Mr. Grout stated that development initiatives include \$21 million for road engineering to make the park more user-friendly.

Mr. Stokes commented that it is important to remember that Quonset is a public development company, which could prove to be a competition issue with private developers. Mr. McMahon responded that no private developers have stepped forward yet with any complaints about unfair competition. Mr. McMahon explained further that Quonset is at a disadvantage in that its location is too far south for many businesses in the region, commenting that “Rhode Islanders do not like to drive”. For that reason, Mr. McMahon stated that he is not concerned with Quonset luring anyone away from private developers. He stated that businesses wishing to locate to Quonset will do so for their own reasons and that it will sell itself. He noted that there is actually more client demand in other parts of the State, with some \$3.6 billion of announced projects currently in the works all over the State.

Mr. Stokes commented that the EDC must continue to articulate the separation of EDC and QDC to the public.

8. FOR REPORT ON RHODE BUILDER SMALL BUSINESS PROGRAM

Mr. Louis Soares, Associate Director of Every Company Counts and Associate Director of Small Business Services at EDC, distributed a handout to the Board members (See **Exhibit E**). He explained that the Every Company Counts program came out of “Catching the Winds of Growth”, a mentoring/coaching workshop that occurred in October 2003, where successful businesses were brought together with newer businesses to offer their experiences and suggestions. He stated that the second program to come out of that workshop is known as Rhode Builder.

Mr. Soares explained that Rhode Builder is a public/private collaboration of the RI Small Business Development Center, the RIEDC, the RI Human Resources Investment Council and the Rhode Island Commodores, and that the principal sponsors are Bank-RI, Piccerelli, Gilstein & Co., and Mastors & Servant.

Rhode Builder, which is in its first year of operation, consists of three major components, Training, Consulting and Presentation, and participating companies must pay \$10,500 for the training program, one-half of which is reimbursable from HRIC through Employee Investment Grants, according to Mr. Soares. He explained that the consulting component is free to those companies who stay current with the training. Mr. Soares reported that classes, which include theory as well as case study, have started, and the consulting portion will commence in about two weeks.

Upon inquiry of Mr. Miller, Mr. Soares reported that some of the companies participating in Rhode Builder include Pease & Curren, RIDCO, Barrington Printing, Ardent Supply and Resource Controls.

9. FOR REVIEW OF FY '05 AUDIT

Mr. Richard Reed explained that the finance committee had an extensive meeting last week with the EDC's auditors, Lefkowitz Garfinkel Champi & Derienzo (LGCD), and introduced Mr. Stephen Geremia and Mr. Richard Pacheco, both from LGCD to the Board.

Mr. Geremia reported that LGCD reviewed the results of the audit with the finance committee and recommended that certain adjustments be made. LGCD then gave its unqualified opinion of the audit for the fiscal period ended June 30, 2005.

Mr. Stokes, who serves on the finance committee, stated, on behalf of Mr. Shuster, that some information for the audit is not available until after the end of the fiscal period, requiring that certain adjustments be made.

Upon inquiry of Mr. McMahon, Mr. Geremia stated that the only thing that should be done differently in the future is that specific written responses from management should be included in the reports.

There being no further discussion on this matter, upon motion duly made by Ms. Green and seconded by Ms. Merchant, the following vote was adopted:

VOTED: To accept the review of the FY '05 Audit, as presented to the Board this date.

Voting in favor of the foregoing were: Mr. Stokes, Mr. Miller, Ms. Jackson, Ms. Green and Ms. Merchant.

Voting against the foregoing were: None.

Attorney Stolzman reported that approval of the FY '07 Budget would be postponed until the next Board meeting as the budget is still being worked on with the Governor's office.

10. FOR UPDATE ON TIM HORTONS PROJECT

Mr. McMahon opened this discussion by stating that when the EDC agreed to give Project Status to Tim Hortons ("TH") in April 2004, the one issue that was key to the approval was TH's intention of constructing a regional headquarters in Rhode Island. He noted that the EDC keeps track of the return on its investment for all projects that are granted project status incentives. Mr. McMahon also noted that the agreement with TH called for average salary jobs to be in the \$25,000 range, and that he would like to see that figure raised in the future.

Mr. Stolzman explained that, after the Board approved project status for TH, he and EDC personnel met with representative of Ernst & Young, representing TH, to negotiate an agreement. Negotiations have stalled several times and a final agreement

has yet to be completed. Mr. Stolzman stated that at least three areas are still being discussed, and include the following:

- a) minimum average wage for full time workers – the amount started in the \$50,000's and has gone down to the \$30,000's.
- b) sales tax rebate – EDC capped it at \$600,000 to match training; TH wants to increase the rebate to \$1.6 million.
- c) Regional corporate headquarters for executives – what started out as a regional headquarters (including New England, New York, New Jersey and Pennsylvania) with 22 executives in Rhode Island has been reduced to a New England headquarters covering Rhode Island, Connecticut and Southeastern Massachusetts, with somewhat less than 22 executives in Rhode Island. There have also been questions about whether the headquarters would be located in Warwick or West Warwick and the quality of the headquarters.

Mr. Stolzman stated that, individually, none of the above issues causes much concern, but taken all together the issues create some concern. He added that the EDC is prepared to finalize the terms as approved by the Board.

Mr. Miller commented that the status of this matter does not indicate a level playing field.

Mr. McMahon stated that the matter is being brought to the Board's attention as it is politically sensitive, and has been reported on in the press.

Mr. Stolzman noted the time constraint in TH's buying the Bess Eaton operation out of a bankruptcy as a factor in approving project status for this entity so quickly, and that he does not believe there has been an intentional "bait and switch" by TH.

11. VOTE TO MEET IN EXECUTIVE SESSION

Mr. Stolzman announced that it was necessary for the Board to go into executive session in order to discuss a new litigation matter. Upon motion duly made by Ms. Green and seconded by Ms. Jackson, the following vote was adopted:

VOTED: That the Board adjourn to Executive Session to consider and possibly take action on such matters as permitted by subsection (2) (pending litigation) of Rhode Island General Laws, § 42-46-5 (a), the Open Meetings Law.

Voting in favor of the foregoing were: Mr. Stokes, Mr. Miller, Ms. Jackson, Ms. Green and Ms. Merchant.

Voting against the foregoing were: None.

12. RECONVENE OPEN SESSION

The public session was reconvened at 6:30 p.m. The Chairman reported that a new litigation matter was discussed and that no action was taken during the Executive Session.

There being no further business in Public Session, the meeting was adjourned at 6:35 p.m., upon motion by Ms. Green and seconded by Ms. Jackson.

Robert I. Stolzman, Secretary

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